

CITY OF MARQUETTE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2012

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CITY OF CASCADE

OFFICIALS

<u>Name</u>	<u>Title</u> (Before January 2012)	<u>Term Expires</u>
Norma Mason	Mayor	Jan. 2012
Jason Winter	Mayor Pro tem	Jan. 2012
Jim Meana	Council Member	Jan. 2012
Tracy Melver	Council Member	Jan. 2014
Mary Jo Pirc	Council Member	Jan. 2014
Rinda Ferguson	Council Member	Jan. 2014
Dean Hilgersen	City Manager	Indefinite
Susan Weipert	City Clerk/ Treasurer	Indefinite
James Garrett	Attorney	Indefinite
(After December 2011)		
Norma Mason	Mayor	Jan. 2014
Jason Winter	Mayor Pro Tem	Jan. 2016
Tracy Melver	Council Member	Jan. 2014
Mary Jo Pirc	Council Member	Jan. 2014
Rinda Ferguson	Council Member	Jan. 2014
Jim Meana	Council Member	Jan. 2016
Dean Hilgersen	City Manager	Indefinite
Susan Weipert	City Clerk/Treasurer	Indefinite
James Garrett	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

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Elkader, Iowa 52043

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units and remaining fund information and each major fund of the City of Marquette, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Marquette's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the aggregate discretely presented component units and remaining fund information and each major fund of the City of Marquette as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2012 on our consideration of the City of Marquette's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report

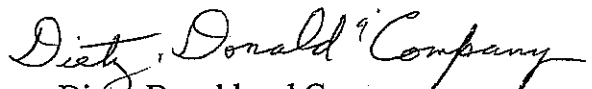
is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marquette's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were presented in conformity with another comprehensive basis of accounting. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marquette's basic financial statements. The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 30 through 31 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Elkader, Iowa

December 13, 2012


Dietz, Donald and Company
Certified Public Accountants
FEIN 42-1172392

CITY OF MARQUETTE

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Marquette provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 13.7%, or approximately \$ 230,000 from fiscal 2011 to fiscal 2012. The City received about \$ 228,000 from the sale of City Hall.

Disbursements of the City's governmental activities increased 11.7%, or approximately \$ 209,000 in fiscal 2012 from fiscal 2011. Capital projects disbursements increased approximately \$ 244,000, while public safety disbursements decreased approximately \$ 40,000.

The City's total cash basis net assets decreased 3.3%, or approximately \$ 135,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities decreased approximately \$ 88,000 and the assets of the business type activities decreased approximately \$ 47,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of Statements of Activities and Net Assets. These statements provide information about the activities of the City as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides comparative information about the governmental funds for the last nine years.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

The City's Reporting Entity Presentation

This annual report includes all activities for which the City of Marquette City Council is fiscally responsible. These activities defined as the City's reporting entity are operated within a separate legal entity that is the primary government and other separate legal entities that are included as component units.

The primary government consists of one legal entity, the City of Marquette.

The component unit presentation consists of two legal entities: the Mar-Mac Unified Law Enforcement District and the Mar Mac Driftless Area Wetlands Centre.

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statements of Activities and Net Assets present the City's net assets. Over time, increases and decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statements of Activities and Net Assets are divided into three kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government and capital projects. Property tax, state and federal grants, and gaming revenues finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Discretely Presented Component Units consist of the Mar-Mac Unified Law Enforcement District and the Mar Mac Driftless Area Wetlands Centre, legally separate organizations that have the potential to provide specific benefits or impose specific financial burdens on the City.

Fund Financial Statements

The City has two kinds of funds:

Governmental Funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include (1) the General Fund, (2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment and (3) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

Proprietary Funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

The required financial statements for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$ 4.006 million to approximately \$ 3.918 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 247	245
Operating grants and contributions	43	46
Capital grants and contributions	245	205
General receipts:		
Property tax	396	437
Local taxes	33	35
Gaming wager tax	608	583
Sales of assets	245	41
Unrestricted investments earnings	80	78
Other general receipts	6	3
Total receipts	1,903	1,673
Disbursements:		
Public safety	179	219
Public works	157	147
Health and social services	1	1
Culture and recreation	94	81
Community and economic development	8	6
General government	213	232
Capital projects	1,339	1,096
Total disbursements	1,991	1,782
Change in cash basis net assets before transfers	(88)	(109)
Transfers, net	0	(39)
Change in cash basis net assets	(88)	(148)
Cash basis net assets beginning of year	4,006	4,154
Cash basis net assets end of year	\$ 3,918	4,006

The City's total receipts for governmental activities increased 13.7% or approximately \$ 230,000. The total cost of all programs and services increased about \$ 209,000 or 11.7%. The significant increase in receipts was primarily due to the sale of City Hall for \$227,500 in 2012.

The cost of all governmental activities this year was approximately \$ 1.991 million compared to approximately \$ 1.782 million last year. However, as shown in the Statement of Activities and Net Assets on page 14, the amount taxpayers ultimately financed for these activities was only \$ 1.456 million because some of the cost was paid by those directly benefited from the programs (\$ 247,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$ 288,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in 2012 from approximately \$ 496,000 to approximately \$ 535,000. The City paid the remaining "public benefit" portion of governmental activities with approximately \$ 429,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest (\$80,000) and gaming wager receipts (\$ 608,000).

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 86	84
Sewer	84	85
Total Receipts	170	169
Disbursements:		
Water	108	74
Sewer	109	89
Total Disbursements	217	163
Change in cash basis net assets before transfers	(47)	6
Transfers, net	0	39
Change in cash basis net assets	(47)	45
Cash basis net assets beginning of year	120	75
Cash basis net assets end of year	\$ 73	120

Total business type activities receipts for the fiscal year were \$ 170,000 compared to \$ 169,000 last year. The cash balance decreased approximately \$ 47,000 from the prior year. Total disbursements for the fiscal year increased 33.4% or approximately \$ 54,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Marquette completed the year, its governmental funds reported a combined fund balance of \$ 3,917,899, a decrease of \$ 88,538 from last year's total of \$ 4,006,437. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$ 1,395,591 from the prior year to \$ 2,558,996. The General Fund transferred \$ 2,241,759 to the Capital Projects Fund and received \$ 441,018 from the TIF and Capital Projects Fund. The transfers to the Capital Projects Fund were primarily for the City Hall/Hotel project. The transfers from the Urban Renewal Tax Increment Fund were for repayment of interfund loans.

The Special Revenue, Urban Renewal Tax Increment Fund receipts were used to transfer \$ 346,018 to the General Fund as a payment on interfund loans.

The Capital Projects Fund disbursed \$ 1,339,348 during the current fiscal year for various capital projects, which included \$ 347,133 for flood control, \$ 761,469 for street projects and \$ 230,747 for the downtown project.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The amendments were approved on August 16, 2011 and on May 15, 2012 and resulted in an increase of \$ 383,500 in budgeted disbursements, primarily a result of a budgeted increase in capital projects disbursements of \$ 375,000.

The City's receipts were \$ 243,977 more than budgeted, primarily due to the City receiving \$ 129,015 more in grant revenues than anticipated.

DEBT ADMINISTRATION

At June 30, 2012 and 2011, the City had no long-term debt.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's constitutional debt limit is approximately \$ 1.6 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Marquette's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for various City activities. One of those factors is revenue from the gaming boat. Total gaming boat receipts for the years ended June 30, 2012, 2011 and 2010 were \$ 791,311, \$ 763,253 and \$ 807,000, respectively. New gaming facilities in Iowa and a depressed economy had put downward pressure on these receipts but they have appeared to stabilize. Population decreased 21.2% in the 2010 census from the 2000 census. However, the City appealed the count and received a positive re-determination from 375 to 462.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are \$ 1.667 million, an increase of 5.3% over the final fiscal 2012 budget. Budgeted disbursements are expected to decrease \$ 920,500 with capital projects disbursements budgeted to decrease approximately \$ 833,000.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$ 637,000 by the close of 2013.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dean Hilgersen, City Manager; 134 North Street; Marquette, Iowa.

BASIC FINANCIAL STATEMENTS

CITY OF MARLETTE
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS
As of and for the Year Ended June 30, 2012

Exhibit A

Functions/Programs:	Disbursements	Program Receipts			Primary Government			Discretely Presented Component Units
		Changes for Service	Operating Grants and Contributions	Capital Grants and Contributions	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets	Business Type Activities	Total	
Governmental activities:								
Public safety	\$ 179,068	83,502	-	-	(95,566)	-	(95,566)	-
Public works	157,541	40,348	35,465	-	(81,728)	-	(81,728)	-
Health and social services	816	-	-	-	(816)	-	(816)	-
Culture and recreation	93,616	114,486	7,762	-	28,632	-	28,632	-
Community and economic development	7,707	-	-	-	(7,707)	-	(7,707)	-
General government	212,723	4,098	-	-	(208,625)	-	(208,625)	-
Capital projects	1,339,348	4,565	-	245,000	(1,089,783)	-	(1,089,783)	-
Total governmental activities	1,990,819	246,989	43,227	245,000	(1,455,603)	-	(1,455,603)	-
Business type activities:								
Water	107,642	85,917	-	-	-	(21,725)	(21,725)	-
Sewer	109,363	84,323	-	-	-	(25,040)	(25,040)	-
Total business type activities	217,005	170,240	-	-	(46,765)	(46,765)	(46,765)	-
Total primary government	\$ 2,207,824	417,229	43,227	245,000	(1,455,603)	(46,765)	(1,302,368)	(68,432)
Discretely presented component units	\$ 776,025	404,362	47,143	256,088				
General Receipts:								
Property tax and other city tax levied for:								
General purposes					57,316	-	57,316	-
Tax increment financing					339,015	-	339,015	-
Local option sales, hotel/motel taxes					32,567	-	32,567	-
Gaming wager tax					608,394	-	608,394	-
Unrestricted interest on investments					79,537	-	79,537	651
Miscellaneous					5,648	-	5,648	2,038
Sale of assets					244,388	-	244,388	5,090
Total general receipts					1,367,065	-	1,367,065	7,729
Change in cash basis net assets					(88,538)	(46,765)	(135,303)	(60,693)
Cash basis net assets beginning of year					4,006,437	119,829	4,126,267	181,915
Cash basis net assets end of year					\$ 3,917,899	73,064	3,990,964	121,222
Cash Basis Net Assets:								
Restricted, expendable:								
Overpass demolition					\$ 100,000	-	100,000	-
Urban renewal purposes					25,009	-	25,009	-
Streets					4,955	-	4,955	-
Capital projects					-	-	-	56,637
Unrestricted					3,787,935	73,064	3,860,999	64,585
Total cash basis net assets					\$ 3,917,899	73,064	3,990,963	121,222

See notes to financial statements.

Exhibit B

CITY OF MARQUETTE
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS
AGGREGATE DISCREETLY PRESENTED COMPONENT UNITS
As of and for the Year Ended June 30, 2012

Discretely Presented Component Unit	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Unified Law Enforcement District	Driftless Area Wetlands Centre	Total
Mar Mac Unified Law Enforcement District	\$ 308,258	246,247	47,143	-	(14,868)	-	(14,868)
Mar Mac Driftless Area Wetlands Centre	467,767	158,115	-	256,088	-	(53,564)	(53,564)
Total	\$ 776,025	404,362	47,143	256,088	(14,868)	(53,564)	(68,432)
General Receipts:							
Unrestricted interest on investments					332	319	651
Miscellaneous					2,038	-	2,038
Sale of assets					5,050	-	5,050
Total general receipts					7,420	319	7,739
Change in cash basis net assets					(7,448)	(53,245)	(60,693)
Cash basis net assets, beginning of year					63,744	118,171	181,915
Cash basis net assets, end of year					\$ 56,296	64,926	121,222
Cash Basis Net Assets:							
Restricted, expendable:					\$ -	56,637	56,637
Capital projects					56,296	8,289	64,585
Unrestricted					\$ 56,296	64,926	121,222
Total cash basis net assets							

See notes to financial statements.

Exhibit C

CITY OF MARQUETTE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
As of and for the Year Ended June 30, 2012

	General	Special Revenue	Urban Renewal Tax Increment	Capital Projects	Nonmajor Special Revenue	Use Tax	Total
Receipts:							
Property tax	\$ 57,316	-	-	-	-	-	57,316
Tax increment financing	-	-	339,015	-	-	-	339,015
Other city tax	640,962	-	-	-	-	-	640,962
Licenses and permits	1,538	-	-	-	-	-	1,538
Use of money and property	271,466	-	-	245,000	31,011	-	271,466
Intergovernmental	4,454	-	-	-	-	-	280,465
Charges for service	40,348	-	-	-	-	-	40,348
Miscellaneous	22,018	-	-	4,565	-	-	26,583
Total receipts	1,038,102	-	339,015	249,565	31,011	-	1,657,693
Disbursements:							
Operating:							
Public safety	179,068	-	-	-	-	-	179,068
Public works	123,987	-	-	-	33,554	-	157,541
Health and social services	816	-	-	-	-	-	816
Culture and recreation	93,616	-	-	-	-	-	93,616
Community and economic development	7,707	-	-	-	-	-	7,707
General government	212,723	-	-	1,399,348	-	-	212,723
Capital projects	617,917	-	-	1,339,348	33,554	-	1,339,348
Total disbursements	420,185	-	339,015	(1,089,783)	(2,543)	-	(333,126)
Excess (deficiency) of receipts over (under) disbursements	1,817	-	-	242,771	-	-	244,588
Other financing sources (uses):	441,018	16,852	-	2,241,759	-	-	2,699,629
Sale of capital assets	(2,258,611)	(346,018)	-	(95,000)	-	-	(2,699,629)
Operating transfers in	(1,815,776)	(329,166)	-	2,389,530	-	-	244,588
Operating transfers out	(1,395,591)	9,849	-	1,299,747	(2,543)	-	(88,538)
Total other financing sources (uses)	3,954,577	15,160	-	29,202	7,498	-	4,006,437
Net change in cash balances	\$ 2,558,986	25,009	-	1,328,949	4,955	-	3,917,899
Cash balances beginning of year	-	-	-	-	-	-	-
Cash balances end of year	-	-	-	-	-	-	-
Cash Basis Fund Balances:							
Restricted for:							
Overpass demolition	\$ 100,000	-	-	-	-	-	100,000
Urban renewal purposes	-	25,009	-	-	-	-	25,009
Streets	-	-	-	-	4,955	-	4,955
Committed for capital projects	-	-	-	1,328,949	-	-	1,328,949
Assigned for:							
Capital projects	176,617	-	-	-	-	-	176,617
Wetlands Centre	458,000	-	-	-	-	-	458,000
Unassigned	1,824,369	-	-	-	-	-	1,824,369
Total cash basis fund balances	\$ 2,558,986	25,009	-	1,328,949	4,955	-	3,917,899

See notes to financial statements.

CITY OF MARQUETTE
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS
 As of and for the Year Ended June 30, 2012

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 85,917	84,323	170,240
Operating disbursements:			
Business type activities	82,173	82,010	164,183
Excess of operating receipts over operating disbursements	3,744	2,313	6,057
Non-operating disbursements:			
Capital equipment	25,469	27,353	52,822
Deficiency of receipts under disbursements	(21,725)	(25,040)	(46,765)
Operating transfers in (out)	(21,195)	21,195	-
Net change in cash balances	(42,920)	(3,845)	(46,765)
Cash balances beginning of year	91,868	27,961	119,829
Cash balances end of year	<u>\$ 48,948</u>	<u>24,116</u>	<u>73,064</u>
 Cash Basis Fund Balances			
Unrestricted	<u>\$ 48,948</u>	<u>24,116</u>	<u>73,064</u>

See notes to financial statements.

CITY OF MARQUETTE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Marquette is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1860 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Marquette has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has two component units which meet the Governmental Accounting Standards Board criteria.

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component units that are discretely presented in the City's report are presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Mar-Mac Unified Law Enforcement District	Created in 1999 under Chapter 28E of the Code of Iowa to provide police services to the cities of Marquette and McGregor. The District is governed by a five member board, two of which are appointed by the City of Marquette, who are persons currently serving as either Mayor or Council Member of Marquette. Appointments are made by the Mayor, subject to Council approval; provided however, that if the Mayor appoints him-

self/herself, Council approval is not required. The City of Marquette shall appropriate and pay to the District each fiscal year a sum equal to 65% of the District's budget for the year.

Mar Mac Driftless Area
Wetland Centre

Created in 2009 under Chapter 28E of the Code of Iowa to build and operate a multi-use community facility and arts venue, a nature center focusing on area ecosystems, and eventually, a trailhead for area pedestrian and cycling trails. The Centre is governed by a five member board, two of which are appointed by the City of Marquette, who are currently residents of Marquette. Appointments are made by the Mayor, subject to Council approval. The City of Marquette shall appropriate and pay to the Centre each fiscal year a sum equal to 50% of the Centre's budget for the year to the extent funds are not available from other services. If the Centre and both city councils fail to agree upon and approve a budget for the Center, the 28E agreement shall automatically terminate. Upon termination, for a period of 120 day, the City of Marquette shall have the exclusive right and option to purchase the Centre and all non-cash assets for a purchase price equal to the lesser of:

- 1) the fair market value of such assets, or 2) a pro-rata portion of the School District's original \$ 200,000 contribution reduced by one-tenth each year and the payment of any and all outstanding obligations of the Centre.

The District issues a publicly available audited financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: Mar-Mac Police District; P.O. Box 69; Marquette, Iowa 52158-0069.

The Centre issues a publicly available audited financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: Mar Mac Driftless Area Wetlands Centre; P.O. Box 7; Marquette, Iowa 52158-0007.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods

or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Clayton County Assessor's Conference Board, Clayton County Emergency Management Commission and Clayton County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service. Activity between the primary government (the City) and the discretely presented component units (the Mar-Mac Unified Law Enforcement District and the Mar Mac Driftless Area Wetlands Centre) are reported as if they were external transactions and are classified separately from internal transactions within the primary government.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and proprietary funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental

funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement cost not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Marquette maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets, available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the

disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned, then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used for specific purposes pursuant to constraints imposed by the Council through ordinance or resolution approved prior to year end.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts are not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management

investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS; P.O. Box 9117; Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Contribution requirements are established by state statute. The Primary Government's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$ 14,220, \$ 12,676 and \$ 13,365, respectively, equal to the required contribution for each year.

Certain employees in special risk occupations and the Discretely Presented Component Units contribute an actuarially determined contribution rate. The Discretely Presented Component Units' contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$ 15,835, \$ 13,431 and \$ 11,391, respectively, equal to the required contributions for the year.

(4) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 4 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

The Discretely Presented Component Units operate a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 4 active and no retired members in the plan. Participants must be age 55

or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City and the Discretely Presented Component Units. The City and the Discretely Presented Component Units finance the retiree benefit plans on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$ 1,045 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$ 46,924 and plan members contributed \$ 3,600. The most recent active member monthly premiums for the Discretely Presented Component Units and plan members are \$ 314 for single coverage and \$ 780 for family coverage. For the year ended June 30, 2012, the Discretely Presented Component Units contributed \$ 26,234 and plan members contributed \$ 2,468.

(5) Compensated Absences

City and Discretely Presented Component Unit employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement, or death.

These accumulations are not recognized as disbursements until used or paid. The City's and the Discretely Presented Component Units' approximate liabilities for earned compensated absences payable to employees at June 30, 2012 are as follows:

<u>Type of Benefit</u>	<u>Primary Government</u>	<u>Discretely Presented</u>
	<u>Amount</u>	<u>Component Units</u>
Vacation	\$ 200	5,900
Compensatory hours	<u>0</u>	<u>1,500</u>
Total	<u>\$ 200</u>	<u>7,400</u>

These liabilities have been computed based on rates of pay as of June 30, 2012.

(6) Excursion Gambling Boat Dock Site Lease Agreement

On July 10, 1994, the City entered into a dock site lease agreement with a Company to operate and manage casino gambling on excursion gambling boats and related activities in and about the City of Marquette. The dock site lease agreement provides docking facilities for a twenty-five year term beginning June 10, 1994. The

agreement provides that the Company pay the City for a) \$ 105,000 per year payable in equal monthly installments; b) fifty cents per ticketed passenger payable monthly; c) two and one-half percent of the net gambling receipts in excess of \$ 10,000,000 per year; and d) fifty cents per passenger admission pursuant to Chapter 99F.10 of the Code of Iowa and the City ordinance for dock site rental. Additionally, the City provides 24 hour public safety protection for \$ 75,000 per year payable monthly.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Urban Renewal Tax Increment	\$ 346,018
	Capital Projects	<u>95,000</u>
		<u>441,018</u>
Special Revenue:		
Urban Renewal Tax Increment	General	<u>16,852</u>
Capital Projects	General	<u>2,241,759</u>
Total		<u>\$ 2,699,629</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Risk Management

The City of Marquette and its Discretely Presented Component Units are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

(9) Related Party Transactions

The City paid \$ 159,745 to Mar-Mac Unified Law Enforcement District, a Discretely Presented Component Unit, of the City, for police services during the fiscal year ended June 30, 2012.

The City paid \$ 7,000 to Mar Mac Driftless Area Wetlands Centre, a Discretely Presented Component Unit, for its share of the operating budget for the fiscal year ended June 30, 2012.

(10) Commitments

The City's contracted obligation to Mar-Mac Unified Law Enforcement District for police service for the fiscal year ended June 30, 2013 is \$ 171,624.

The City's contracted obligation to Mar Mac Driftless Area Wetlands Centre for budgeted operating disbursements for the fiscal year ended June 30, 2013 is \$ 13,500.

(11) Developer Agreement

In November, 2011, the City entered into a developer agreement with a developer to develop a single structure to house the Developer's hotel and the City's city hall and community center facilities (the Project). The mutual covenants are set forth as follows:

- A. Assignment of Purchase Option - The City shall assign to the Developer the City's option to purchase certain real estate and the Developer shall pay to the City \$ 1,550 for said assignment.
- B. Exercise of Purchase Option - The Developer shall promptly exercise the purchase option and close on the purchase as rapidly as possible.
- C. Real Estate Purchase Grant - Within 30 day after exercising the purchase option, the City shall make a grant to the Developer in the amount of \$ 227,550. Within 48 hours thereafter, the City shall convey to the Developer the current city hall building in exchange for the payment by the Developer to the City the sum of \$ 226,000.
- D. Building Demolition - Within 60 days after purchase of both properties, the Developer shall demolish all structures located thereon and prepare the properties for the start of construction.
- E. Construction Start and Completion - Construction of the Project shall commence within 120 days after the purchase by the Developer of both properties and shall be substantially completed within 180 days thereafter.
- F. Joint Ownership - The facilities developed in the Project shall, upon completion, be owned and managed jointly by the submission of the facilities and the real estate to a horizontal property regime pursuant to Iowa Code Chapter 499B, with the Developer owning an 87% interest and the City a 13% interest.

G. Sale and Purchase of New City Hall and Community Facilities - The purchase price for such real estate interest is agreed to be \$ 546,000, which the parties agree shall be included within the incentive payments provided for in paragraph H and shall be deemed paid in full upon completion of such incentive payments.

H. Incentives - In addition to the real estate purchase grant provided in paragraph C, the City shall make periodic economic development grants to the Developer as follows:

- 1) Demolition and Site Preparation - Upon certification by the Developer's engineer or architect that all structures on the two properties have been demolished and the properties readied for the start of construction, the City shall pay the Developer \$ 369,250.
- 2) Rough Carpentry Completion - Upon certification that all rough carpentry for the Project has been completed, the City shall pay to the Developer \$ 369,250.
- 3) Drywall Completion - Upon certification that all drywall work has been completed, the City shall pay to the Developer \$ 369,250.
- 4) Substantial Completion - Upon certification that the Project is substantially complete, the City shall pay to the Developer \$ 369,250.

The City has \$ 2,023,000 of outstanding commitments remaining under this agreement.

(12) Significant Concentration of Credit Risk

Receipts from one business comprised approximately 38% of the City's total receipts for the fiscal year ended June 30, 2012.

(13) Subsequent Events

In July, 2012, the City disbursed \$ 167,006 for various construction projects in the City.

In October, 2012, the City approved a loan to Mar Mac Driftless Area Wetlands Centre, a Discretely Presented Component Unit, in the amount of \$ 458,000.

(14) Interfund Loans

The General Fund has loans outstanding to the Special Revenue, Urban Renewal Tax Increment Fund of \$ 4,058,109 at June 30, 2012. These loans will be repaid with future tax increment financing collections.

OTHER INFORMATION

CITY OF MARQUETTE
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES—
BUDGET AND ACTUAL (CASH BASIS)—ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION
Year Ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 57,316	-	57,316	54,096	54,096	3,220
Tax increment financing	339,015	-	339,015	335,736	335,736	3,279
Other city tax	640,962	-	640,962	586,690	586,690	54,272
Licenses and permits	1,538	-	1,538	1,670	1,670	(132)
Use of money and property	271,466	-	271,466	255,874	255,874	15,592
Intergovernmental	280,465	-	280,465	151,450	151,450	129,015
Charges for service	40,348	170,240	210,588	215,440	198,440	12,148
Miscellaneous	26,583	-	26,583	-	-	26,583
Total receipts	1,657,693	170,240	1,827,933	1,600,956	1,583,956	243,977
Disbursements:						
Public safety	179,068	-	179,068	206,670	206,670	27,602
Public works	157,541	-	157,541	216,990	216,990	59,449
Health and social services	816	-	816	1,370	1,370	554
Culture and recreation	93,616	-	93,616	86,175	94,675	1,059
Community and economic development	7,707	-	7,707	8,635	8,635	928
General government	212,723	-	212,723	229,710	229,710	16,987
Capital projects	1,339,348	-	1,339,348	1,857,000	2,232,000	892,652
Business type activities	-	217,005	217,005	235,020	235,020	18,015
Total disbursements	1,990,819	217,005	2,207,824	2,841,570	3,225,070	1,017,246
Deficiency of receipts under disbursements	(333,126)	(46,765)	(379,891)	(1,240,614)	(1,641,114)	1,261,223
Other financing sources, net	244,588	-	244,588	27,000	27,000	217,588
Deficiency of receipts and other financing sources under disbursements	(88,538)	(46,765)	(135,303)	(1,213,614)	(1,614,114)	1,478,811
and other financing uses	4,006,437	119,829	4,126,266	4,252,014	4,126,265	1
Balances beginning of year	\$ 3,917,899	73,064	3,990,963	3,038,400	2,512,151	1,478,812

See accompanying independent auditor's report and notes to other information—
budgetary reporting.

CITY OF MARQUETTE

Notes to Other Information - Budgetary Reporting

June 30, 2012

The budgetary comparison is presented as Other Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. The nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2012, two budget amendments increased budgeted disbursements by \$ 383,500. The budget amendments are reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

Schedule 1

CITY OF MARQUETTE
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
For the Last Nine Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Receipts:									
Property tax	\$ 57,316	98,889	6,931	26,889	23,265	22,550	20,967	10,102	39,417
Tax increment									
Financing	339,015	338,577	339,432	409,550	410,743	405,772	384,135	430,377	264,392
Other city tax	640,962	617,769	670,494	739,630	868,175	1,062,131	1,212,068	1,232,376	1,245,022
Licenses and permits	1,538	3,581	3,920	1,695	2,170	715	2,145	2,180	2,198
Use of money and									
property	271,466	275,233	297,680	356,740	242,257	333,943	268,900	225,990	251,337
Intergovernmental	280,465	253,925	565,036	55,536	248,659	39,624	39,850	114,698	82,907
Charges for service	40,348	39,523	42,967	42,022	26,821	25,867	24,558	25,108	25,176
Miscellaneous	26,383	4,771	9,465	15,603	4,340	27,876	10,333	24,485	58,858
Total	\$ 1,657,963	1,632,268	1,935,925	1,647,665	1,826,430	1,918,498	1,962,956	2,065,316	1,969,307

Disbursements:									
Operating:									
Public safety	\$ 179,068	219,252	143,493	182,553	250,875	149,857	147,862	140,173	137,888
Public works	157,541	146,962	132,156	147,810	146,006	159,772	174,498	162,829	115,346
Health and social									
services	816	816	316	316	1,158	300	316	1,053	1,053
Culture and									
recreation	93,616	80,721	79,799	60,454	58,216	57,013	72,257	65,722	63,928
Community and economic									
development	7,707	6,523	632	10,632	60,632	10,000	632	831	10,526
General government	212,723	232,213	219,968	220,080	144,417	192,818	185,976	163,021	171,283
Debt service	-	-	-	-	-	303,413	315,095	301,538	-
Capital projects	1,339,348	1,095,829	1,263,359	325,301	462,357	2,137,519	848,681	484,750	1,553,156
Total	\$ 1,990,819	1,782,316	1,839,723	947,146	1,123,661	3,010,692	1,745,317	1,319,917	2,053,180

See accompanying independent auditor's report.

STEVEN S. CLAUSEN, CPA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units and remaining fund information and each major fund of the City of Marquette, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated December 13, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the City of Marquette is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Marquette's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Marquette's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Marquette's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Marquette's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

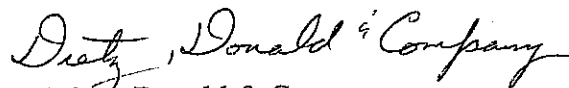
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Marquette and other parties to whom the City of Marquette may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Marquette during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

December 13, 2012


Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

CITY OF MARQUETTE
SCHEDULE OF FINDINGS
Year Ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses were identified

INSTANCES OF NON-COMPLIANCE

No matters were noted.

CITY OF MARQUETTE
SCHEDULE OF FINDINGS
Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

- II-A-12 Certified Budget - Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.
- II-B-12 Questionable Disbursements - We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from funds as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-12 Business Transactions - No business transactions between City and City officials or employees were noted.
- II-E-12 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-12 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-12 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.